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BUSINESS SOLUTIONS TO GLOBAL CHALLENGES

Richard Welford



Despite the prevalence of CSR initiatives in companies, there is a need to leverage on current practices to make them more effective and meaningful. Richard Welford looks at the advantages to such an approach.

There can be little doubt that over the last two decades the biggest alleviator of poverty in the world has been the private sector. In China alone, 400 million people have been removed from poverty largely because of the massive inward investment of the private sector, creating jobs, wealth and adding significantly to household incomes. People have increased their incomes not through traditional forms of aid, but through trade, new market opportunities, enterprise development and entrepreneurialism.

There is now a call for the private sector to do even more. A recognition of the need to move away from philanthropic contributions (akin to aid) and towards

strategic community development strategies is now sweeping the corporate social responsibility arena. Creating opportunities for new businesses, providing a business environment where enterprises can flourish and building the capacity for entrepreneurialism are all part of a new emphasis on getting the poor to engage with business and trade rather than relying on hand-outs.

Some of the greatest success stories have involved the business sector participating in micro-finance initiatives and small business development. Targeting enthusiastic entrepreneurial women who are able to generate incomes to support their families has been



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a particular success story. Loan repayment rates amongst women are high and putting money directly into the hands of the people who make household purchasing decisions has seen reductions in both poverty and ill health.

New initiatives around the so-called ‘bottom of the pyramid’, where businesses engage with the huge market of millions of people living on less than US\$2 a day, also offer to bring new market opportunities to reduce poverty. Bottom of the pyramid initiatives got off to a shaky start with early movers being criticised for selling products that no one really needed in small quantities that actually increased environmental damage. But, more recent market opportunities, offering products at low prices, do seem to be becoming more successful. Danone’s low priced vitamin and mineral enriched yoghurt is a great example of a product aimed at the poor, which helps to enrich dietary intake.

But what of the other challenges facing us in the world today? Can we see a role for the private sector in dealing with those as well? Moving beyond just poverty and dealing with the other Millennium Development Goals (including improving maternal and child health, achieving universal primary education, combating disease and protecting the environment) present a set of real challenges, but which present opportunities for businesses to address. The consequences of climate change are becoming more worrying, with drought, floods, loss of biodiversity and destruction of human habitats. Unless we bring a greater sense of urgency to addressing these problems now, future generations may face an irreversibly damaged world which will be much harder for them to live in. The challenge is to move towards that elusive concept of sustainable development, legitimised by the Brundtland Report¹ in 1987 but never really fully embedded in the psyches of either politicians or businesses. Indeed, in every year since 1987, the world has become less sustainable and development has consistently been confused with growth.

The oft-cited definition of sustainable development is: “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”² That essentially

means that we do not have the right to act in a way which undermines the ability of future generations to continue to develop. Yet, in the past one hundred years we have managed to use up half of the world’s oil reserves, a valuable resource that took millions of years to create. Other resources have also been used up in an equally astonishing way. Future generations will look back on our behaviour with disbelief.

But future generations are not the only focus of the concept of sustainable development. The definition above is actually only part of the full definition, which goes on to say that sustainable development “... contains within it two key concepts: the concept of *needs*, in particular the essential needs of the world’s poor, to which overriding priority should be given and the idea of *limitations* imposed by the state of technology and social organisation on the environment’s ability to meet present and the future needs.”³

The very fact that we are now experiencing climate change is evidence of the fact that we have already exceeded the limitations of the planet to absorb carbon dioxide. This point is worth dwelling on. Every economy in the world measures its economic performance on the basis of growth (increasing output) alone. We never subtract the costs of that growth in terms of labour impacts, human rights abuses, environmental damage, resource depletion and lost biodiversity. Just about every textbook on business and management also assumes a model of business which is aimed at increasing turnover and generating growth for the company. Yet in a world of finite resources it is now quickly becoming clear that we simply cannot afford traditional forms of resource intensive growth. There are those who increasingly point towards opportunities associated with green growth but they too miss the point that what matters is not growth, it is development. Development is about improving the quality of life of *all* human beings (now and in the future) in a way which protects our fragile environment.

The question is how can the private sector be part of a new development agenda that protects the environment, puts an emphasis on the needs of the

poor and reverses environmental damage? How can we take people out of poverty, while at the same time reducing the resource intensity of our operations? How can we improve health, reduce disease and provide access to essential services for the majority of the world's population? How can we begin to restore our natural environment through grassroots pro-poor community initiatives?

What is clear is that we cannot simply leave such challenges to governments, development agencies and inter-governmental organisations. They have, to date, not managed to create the significant change required to move us towards sustainable development and there is currently little evidence that they will be able to do so in the future. But the private sector must also share its responsibility for the economic growth that has, in the past, damaged the environment and sometimes stifled development, rather than contributed to it. Nevertheless, it is becoming abundantly clear that it is the private sector that has the financial muscle, the international reach and the leadership skills to begin to tackle our remaining global challenges.

The last of the Millennium Development Goals points to the need for new global partnerships for development. It is now clear that those global partnerships must include the only true global players in the world – multinational enterprises. Moreover, many of these large private sector global players have already demonstrated a willingness to engage with global challenges through their corporate social responsibility programmes. Of course there is still more to do and not all multinational enterprises have grasped the role that they can play when they work in partnership with government and NGOs. Much of the private sector also requires incentives to engage in the global challenges that lie ahead. The best incentive is for consumers to reward those companies who demonstrate global leadership through a preference to purchase their products.

But while partnerships can provide many of the solutions to global challenges, they require leaders. In my experience, when it comes to partnerships between businesses, governments and civil society actors, the best leaders are nearly always from the businesses. Governments, institutionalised development agencies and other quasi-government bodies often forget the end game as they move slowly and cautiously, navigating through bureaucratic structures and regulations. Civil society organisations have important skills sets but often lack resources and have under-developed managerial skills. So, I would argue that not only should businesses be involved in initiatives to tackle global challenges, they should be encouraged to take on leadership positions as well.

While it isn't the sole responsibility of businesses to tackle all of the challenges that lie ahead, a focus on just one or two issues, using the skills that businesses have and aligning global initiatives with brands, is likely to provide win-win outcomes for societies and the businesses themselves. Leadership initiatives from Coca-Cola on water, Cathay Pacific on climate change, Unilever on poverty alleviation, Danone on producing affordable nutritious food and Citi on financial education for the poor are all good examples of engagement through different aspects of development. Business-to-business partnerships can also be remarkably successful in this regard. The support from Nike, Microsoft and Manpower given to the 'Nine Million Campaign' in its attempt to help child refugees is a great example of this.⁴

But there remain two key challenges in getting the private sector to engage more with global issues. Firstly, this aspect of corporate social responsibility is certainly not on the agenda of all large multinational corporations. A strategy that combines advocacy (to apply pressure and raise awareness) with recognition for business leaders (by purchasing their products) can be effective in ensuring that large players take greater responsibility in forwarding the development agenda. Secondly, corporate social responsibility and engagement with the development agenda remains dominated by large companies and we need to explore how we can get smaller enterprises involved in these new and exciting developments.

The business case for engaging with development issues involves brand, reputation, trust and a positive corporate image. Involving large brand name companies with recognisable products and big reputations is therefore relatively easy. Getting smaller enterprises involved is tougher, yet the very fact that there are so many of them means that there are huge opportunities to get them involved with local initiatives, which can collectively create an even bigger impact than the activities of the multinational brands.

To date, many corporate social responsibility initiatives have been quite top-down, in that they are driven by a big corporate agenda and too often have public relations opportunities in mind. Whilst this might provide for a business case for brand name companies, it is not appealing for smaller enterprises.

There is a need for urgent discussions and research into how it might be possible to create a more bottom-up approach and grassroots initiatives that can get smaller companies to be involved with challenges at a more local level. Such an approach needs to be fully participatory and should also be led

by the private sector. We need to see new partnerships within the private sector and new ways of involving more businesses in the process. Those partnerships need to be of four kinds:

1. Sector specific partnerships that stress the need for initiatives in areas that industries have special impact upon. Examples include human rights initiatives in the mining sector, labour practices along supply chains, climate change adaptation in water intensive sectors and biodiversity initiatives in agribusiness. Such efforts can involve both large and small players.
2. Spatial approaches that lead to partnerships among companies in specific geographical areas with an emphasis on cross-sectorial initiatives that include the small business sector are also vital. Initiatives at the city or county level have the ability to inspire localised plans and encourage more cooperation amongst businesses that share a particular vicinity. There is a clear opportunity for businesses to work in partnership with local authorities and other local stakeholders at this level.
3. Businesses-led community approaches and partnerships that match business capabilities to the needs of local communities can be hugely beneficial for tackling localised challenges. For example, since we already know that it is the poor who will be impacted first and worst by climate change, there is a need to marry private sector community investment initiatives with pro-poor climate change adaptation.
4. Bioregional approaches that concentrate on particular environmental changes are also important initiatives for dealing with climate change, localised pollution and the longer term protection of biodiversity. For example, coastal projects associated with marine habitat conservation, forest restoration and protection of endangered species can be led by the private sector. For example, Shangri-La Hotels and Resorts has a number of marine conservation projects and an orang-utan sanctuary at its Rasa Ria resort. Honda has a programme to protect the endangered Sumatran Rhinoceros.

In each of these four areas there is a role for larger companies, business associations, chambers of commerce and industry or spatially specific stakeholders (including local government) to be involved.

The emphasis of this new approach to tackling the world's global challenges will have to be on shared responsibility and joint accountability. The responsibility for sustainable development must be shared between businesses in all sectors and of all sizes. They will, in turn, have to demonstrate that they are being accountable to a broad range of stakeholders to ensure that they can benefit from a new and educated consumer base.

At the same time we do not have to 'reinvent the wheel'. Two decades ago I was involved with business-led initiatives centred on energy efficiency and waste management. These were initiatives that were often based on the creation of 'business clubs' where companies could share best practices, learn from one another and, in many cases, save money as well. This model might work in tackling other challenges. However, such bottom-up approaches are not going to emerge unless businesses (particularly smaller ones) are incentivised to participate. A consumer premium may not emerge and may not be enough. Therefore, we also need to examine the other types of incentives that are likely to be needed, including tax breaks, subsidies, schemes for public recognition of companies, market linked labelling of products and services, public funding for innovation activities and preferential access to public procurement opportunities.

We are now entering a new era where the role of business in dealing with global challenges has been recognised and where we have plenty of good examples of businesses engaging in positive contributions to create a more sustainable development. The challenge is to take this to its next logical step. The inclusion of more businesses (including smaller businesses) in those efforts is important. But we have to assure such businesses that they stand to benefit from using their time and resources in a positive way. We all have a role in this through our spending power.

¹ *Our Common Future*, World Commission on Environment and Development, 1987.

² Ibid.

³ Ibid.

⁴ Ninemillion.org Campaign, <http://www.ninemillion.org>; "UN launches \$220 million campaign to educate 9 million vulnerable children," *UN News Centre*, September 27, 2007, <http://www.un.org/apps/news/story.asp?NewsID=24020&Cr=educate&Cr1>